

**CITY OF CHULA VISTA
MINUTES
MOBILEHOME RENT REVIEW COMMISSION**

Thursday, January 20, 2011
6:00 P.M.

**276 FOURTH AVENUE
CITY HALL, COUNCIL CHAMBERS**

CALL TO ORDER/ROLL CALL – 6:05 P.M.

PRESENT: Steve Epstein, Rudy Gonzalez, Pat LaPierre, Sam Longanecker, Cesar Padilla, Ramon Riesgo, Mitch Thompson

ABSENT: None

STAFF: Stacey Kurz, Senior Project Coordinator
Simon Silva, City Attorney

1. APPROVAL OF MINUTES

October 20, 2010

Vice Chair Gonzalez made a motion to approve the minutes. Member Riesgo seconded the motion. All members (5-0) agreed to the approval of the minutes.

2. PALACE GARDENS SPACE 330 CHANGE OF OWNERSHIP HEARING

Staff Kurz indicated that the current resident of space 330 at Palace Gardens, a senior (55 and older) park, had provided the park owner with an Intent to Sell their coach and in turn the park provided a notice of rental increase upon sale above the Annual Permissive to \$625. Staff Kurz continued indicating that staff reviewed the permissive items allowed in considering a rental increase as identified in CVMC 9.50 and the history of change of ownership cases that have come before the commission and determined that the most applicable item to consider were comparable rental rates at similar parks. She directed the Commission to Page 6 of the staff report, Table 3 which provides a summary of rental rates upon change of ownership as reported by comparable parks within Chula Vista. Based on this information, staff indicated that the average rent ranges between \$600 and \$650 and therefore recommends approval of the requested rental rate of \$625.

Chair Padilla opened the floor to those that support the rental increase.

The Park Manager indicated that she did not have anything to add to the staff report.

Chair Padilla then asked if anyone wished to speak against the proposed rental increase.

Paul Umbro, resident of Otay Lakes Lodge, commented on the percent increase of 17% seeming excessive over the CPI allowable.

Penny Vaughn, resident of Otay Lakes Lodge, points out Exhibit 2 and the fact that other parks in good condition were receiving \$600 versus excellent parks at \$650, and provided facts about Palace Gardens age and condition to justify it falling into the “good” category and pointing to a \$600 rent as being more representative.

Craig Bauman, representing the administrator of the estate for space 330, indicated that this large of a jump over predominant rents and other recent incoming residents in the parks will make it difficult to sell this unit.

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Member Thompson asked what the current sales price is and the realtor representing the seller indicated \$29,900, but they do not currently have a buyer. She further commented that she had issue with the comparables that were used and the difficulty the increase to \$625 would present in selling the unit. Member Thompson and the realtor then had an exchange regarding the sales price and she indicated that at \$625 the unit would more likely sell for \$17,000-\$25,000.

Member LaPierre asked the realtor about the condition of the unit and the realtor indicated the unit was in poor condition and had an exchange with her about comparable sales prices. Member LaPierre indicated that we need to be careful not to create a situation where the Commission sets rents too low to create a transfer of equity that is not market driven. Chair Padilla asked if a \$25 differential will make a huge difference in the resale ability and/or price. The realtor indicated that the persons purchasing are on a fixed income and the security of rent control provides stability for renters but any increase affects the resale. Member Epstein asked how long the seller had been a resident of the park, and the realtor indicated approximately 4 years ago.

Chair Padilla requested a motion in order to open Commission discussion.

Vice Chair Gonzalez asked how many spaces are currently up for sale and the park manager indicated a little less than 10%. He further indicated that the question of rent is in regards to the value of the leasable land and he therefore does not have a particular dollar amount in mind at this point.

Chair Padilla asked staff if the comparable rents in Table 3 reflect rents that are being accepted in other parks. Staff Kurz indicated that on a case by case basis there may be individual negotiations, but these are the rates that are being offered and therefore we assume is the predominant rent being accepted by new incoming residents.

Member Thompson asked about the negotiated incoming rents at Palace Gardens in the recent past. Staff Kurz indicated that it may not have been clear in the staff report, however this is the first time Palace Gardens is requesting an increase on change of ownership. She added that historically this park has not increased rent for incoming or existing residents above the annual permissive, and they do not even raise upon change of ownership but rather the space anniversary date. She further indicated that this park is far below market rents in the City and therefore based on comparables ranging from \$600-\$650 for incoming residents the staff recommendation is to approve the requested rent at \$625.

Chair Padilla asked Staff Kurz how the comparables were determined and she indicated that a survey was taken of all parks. Member Thompson asked for clarification of Exhibit 2 regarding the survey of rental rates. Staff Kurz clarified that the survey asks parks what their current existing low and high rents are. These may reflect one unit that has the lowest rent in the park and one or a few at the highest rent. Staff also survey for what the average rent is or the predominant rent, meaning what are the majority of residents being charged for rent. Finally they are asked what the incoming rental rate is for a new resident. Sometimes there is one rate that is asked upon change of ownership for all units in the park, and other times the park may have differing rates dependent upon the unit type or whether it is a new coach being moved into the park or an existing coach. She further clarified that the rents in Exhibit 2 are what was reported as of January 1st.

Member Thompson made a motion to increase the rent to \$575. Member Longanecker seconded the motion.

Member Epstein began discussion indicating that the owners of Palace Gardens have been one of the most conscientious park owners in the City and run a good park. The ordinance was designed to allow change of ownership rents to come to market but protect from excessive increases. He further indicated that the park owner should not be penalized for having rents below market, and no comparable park

should be below the low average of \$600. He further indicated he did not feel the request of \$625 is out of line. The incoming resident will still have the benefit of rent control once in place.

Member Thompson provided clarification on the motion indicating he did not pick \$575 as being the right number, but wanted discussion to begin. He is looking at the charge of the Commission and indicated that in the end all we have to look at is the comparable rents, and that our ordinance indicates that the Commission should look at an appraisal of comparables conducted in the South Bay of San Diego. We therefore do not have a certified appraisal from the park owner. He further indicated that the park is slightly inferior to other parks and the rental rate will affect resale value of the unit, but the current market is so low for resale values he fears that residents will stop making investments to maintain mobilehomes.

Attorney Silva commented that the ordinance does not place a required burden on the park owner to hire an appraiser but allows the option. He further indicated that the charge of the Commission is to look at comparable rents and prevent "unconscionable or unreasonable increases".

Vice Chair Gonzalez expressed his concern over the fact that several mobilehomes are currently for sale.

Member Thompson indicated that he believes whatever rental rate is set on this space will set precedent within the park. Member Gonzalez indicated that he would be willing to go to the current high rent of the park at \$581. Chair Padilla expressed his concern about the Commission beginning to set the market, the Commission is not charged to set market but rather make sure no one is taking advantage of it.

Member Thompson again expressed concern of making a decision on market without a certified appraisal. Chair Padilla indicated that he believes the park owner may have done so if they were seeking something above market place, however in this case they are seeking something within current market values. Member Epstein and LaPierre added that the intent of the ordinance was to allow the park owner to increase on change of ownership to the market with a sliding scale. The Commission has operated under this intent since 1992. They both expressed that they have been satisfied with the system on change of ownership with staff surveys of comparables and believe the expense of hiring an expert is unnecessary in these cases. Member LaPierre, as a tenant representative, concluded that he would be okay with an increase to \$600 and did not think \$625 was out of the question either.

Vice Chair Gonzalez submitted a friendly amendment to Member Thompson's original motion to increase the rent from \$575 to \$600. Member Thompson accepted and seconded the amendment.

Member Riesgo expressed that he agreed with the Chair, the Commission's charge is to prevent owners from taking advantage but that the Commission should not be setting market. He further stated that he was slightly concerned about the large jump in this particular case.

Chair Padilla stated that the Commission should keep in mind that this park owner has been extremely fair over the years and we should therefore not punish them for being below market.

Chair Padilla asked for a vote to approve the rent to \$600, the motion passed (5-0). Vice Chair Gonzalez made a motion to approve the findings as submitted by staff with the rent increase effective upon change of ownership, with amendments to the findings to decrease the approved rental rate from \$625 to \$600, in #7 add the average market rental rate between \$600-\$650 and authorize the Chair to sign the findings. Member Thompson seconded the motion. The motion passed (5-0).

3. RANCHO BONITA SPACE 8 CHANGE OF OWNERSHIP HEARING

Member Riesgo indicated that he would be abstaining from this item since he has a relative living in this park and it is a common law conflict which prevents him from voting on this item.

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Staff Kurz indicated that this rental hearing was also a change of ownership case, for space 8 at Rancho Bonita, a family park, with a proposed increase to \$639.52. Again staff focused on looking at comparables, indicating that the park did provide additional information regarding intended improvements to the park in the next year and also indicated that three spaces within the park have accepted an incoming rent of \$639.52 in the past six months. Looking at Table 4 on page 7, comparables indicate that the average rent range for the most comparable parks of Palms Mobile Lodge, Thunderbird Mobile Lodge, and 5&10 Mobile Lodge is \$455-\$615. She further indicated that the parks that were excluded from the comparables were Brentwood which has a higher move-in rental rate due to new coaches being placed in the park, Bayscene which has a wide variety of tenants including some with long-term leases, and Don Luis which has also reflects new coaches being placed. Staff Kurz indicated that staff recommended that a rental range of \$600-\$620 be considered by the Commission.

Chair Padilla asked if anyone wanted to speak in favor of the rental increase.

Letty Lopez, park management representative, indicated that they are requesting this rental rate in an effort to maintain the community and make additional improvements. She further indicated that based on the survey of comparables that they had completed this request is slightly below market.

Chair Padilla then asked for anyone who desired to speak against the increase.

CM Hamilton, resident and current occupant of space 8, indicated that she did not feel this large of a percentage of increase (31%) is acceptable. She further indicated that several maintenance issues have not been addressed over the past 5 years, including pool closures, tiling missing in common areas, shuffleboard, and the removal of the barbecue and some patio furniture. She believes that the home she renovated and invested in will not be able to be resold with this large of an increase. Member Epsten asked when she moved into the park and she responded 1987.

Penny Vaughn, resident of Otay Lakes Lodge and President of Chula Vista Mobilehome Residents Association, indicated that she does not believe Brentwood is comparable and believes \$610 would be a fair rental rate. She indicated that one number does not fit all with the parks and believes that the sliding scale that has been used by staff recommendations and in Commission decisions is fair. She further indicated that on change of ownership good park owners and managers should be rewarded.

Paul Umbro, resident of Otay Lakes Lodge, expressed that park owners should be requesting existing rent increases to keep up with market and not such a large increase upon change of ownership.

A brief break was taken and then Chair Padilla opened the floor for Commission discussion.

Member Epsten began discussion about the percent of increase indicating that the current rent base at \$485.33 is far below market since the resident has lived there and benefited from rent control for 23 years. Now it is time for the park owner to benefit and get a return. He further indicated he was impressed by the condition of the park and the pride of ownership by residents. There may be some minor issues but in all thought the request was reasonable.

Member Longanecker asked why in this case staff provided a range and not a specific amount as in the previous case. Staff Kurz indicated that the conditions of the parks and comparables were more difficult to pinpoint in this case. The comparables were quite different and conditions of the parks differed greatly and therefore wanted to provide the Commission with greater flexibility in this case.

Vice Chair Gonzalez indicated that in his site visit he found the park was in good condition and specifically that this owner has kept her space in good condition; however the Commission is looking at the land, and needs to separate the actual coach condition from the land rent value.

Vice Chair Gonzalez made a motion to increase the rent to \$610. He indicated that this rate is based on what he believes is the fair rental price for the parcel of land and not the percent of increase that will affect a new resident. Member Longanecker seconded the motion.

Member LaPierre reiterated that this case is about a fair return for the park owner and that the new resident will have the benefit of rent control once in place.

Member Thompson indicated in the absence of additional informational and detail he would support the motion.

Chair Padilla asked for a vote to approve the rent to \$610, the motion passed (4-0-1) with Member Riesgo abstaining. Member Longanecker made a motion to approve the findings as submitted by staff with the rent increase effective upon change of ownership, with amendments to the findings to set the approved rent at \$610 and authorize the Chair to sign the findings. Vice Chair Gonzalez seconded the motion. The motion passed (4-0-1) with Member Riesgo abstaining.

4. STAFF COMMENTS

Staff Kurz thanked the Commissioners indicating that many of them have had a challenging beginning to their Commission appointment. She further indicated that the next meeting is traditionally a joint meeting with the Housing Advisory Commission and therefore would likely hold the items requested for a future agenda by member Thompson until the next regular meeting in July.

5. MEMBER'S COMMENTS

Commissioner Epsten expressed his satisfaction with the current Commission.

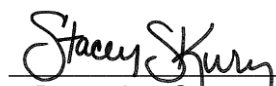
Member Longanecker indicated that he hopes the resident from Rancho Bonita understands that the Commission had not made any decisions prior to tonight's hearing.

Member Thompson asked for a point of clarification regarding whether the cases decided tonight set precedent. Staff Kurz indicated that on an individual basis tenant's have the right to petition any proposed increase above the annual permissive. While decisions tend to set precedent by nature, nothing in our ordinance confines a park owner to propose a different rate. Member LaPierre further stated that residents are required to attempt to come to agreement with the park owner as indicated in our ordinance. Vice Chair Gonzalez indicated that he believes the market can bare higher rents particularly with newer units. Member Thompson indicated that he would like to refer an agenda item to staff to discuss a method to provide the Chair authority to review similar requests to a decision made within a three month period or some other mechanism to prevent the Commission from having the same discussion next month. Member LaPierre agreed that there should be some mechanism for change of ownership decisions to hold for a period of time. .

6. PUBLIC COMMUNICATIONS

Penny Vaughn, resident of Otay Lakes Lodge, commented on manufactured homes and the fact that newer homes are required to pay property tax.

7. ADJOURNMENT – Meeting was adjourned at 8:05 p.m. to a special joint meeting in April with the Housing Advisory Commission. .



Recorder, Stacey Kurz